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Grapefruit

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Report Highlights:

Korean imported nearly 6,000 metric tons of grapefruit in 2007, this number has more than doubled from 2006 imports of 2,200 tons. Grapefruit imports have been on the rise since 2002 with a slight dip in 2005 due largely to a shortage of supply in Florida. No grapefruit are produced in Korea. The United States was the only country Korea had an import protocol for grapefruit with prior to 2007. In 2007, India entered the Korean grapefruit market exporting 22 metric tons. This was only a small portion of the market share, less than 1 percent.

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SECTION I. MARKET OVERVIEW

Korean imported nearly 6,000 metric tons of grapefruit in 2007, this number has more than doubled from 2006 imports of 2,200 tons. Grapefruit imports have been on the rise since 2002 with a slight dip in 2005 due largely to a shortage of supply in Florida. No grapefruit are produced in Korea. The United States was the only country Korea had with a import protocol for grapefruit prior to 2007. In 2007, India entered the Korean grapefruit market exporting 22 metric tons. This was only a small portion of the market share, less than 1 percent.

Grapefruit imports are heavily restricted in Korea due to pest concerns. Florida has a special protocol, "The Protocol for the Shipment of Florida Citrus Fruit in Korea" that was agreed on by the United States Animal and Plant Health Inspection Service (APHIS) and the Korean Ministry of Agriculture (MAF).

ADVANTAGES	CHALLENGES
Demand for grapefruit is growing based on the 163 percent increase in U.S. exports to Korea over the past two years.	Korea applies a 30 percent tariff currently; however, it will be phased out over five years if the Korea-U.S. Free Trade Agreement is approved.
There is no domestic grapefruit production.	There are many opportunities for marketing grapefruit in Korea. In particular, familiarizing Korean consumers with grapefruit's health benefits could increase demand.
Koreans are becoming more health conscious and are aware of the benefits of eating grapefruit.	Koreans choose oranges and tangerines because they are familiar.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

1. ENTRY STRATEGY

Most retailers in Korea import indirectly. Therefore, the most commonly used strategy to enter the retail market is to work with an established grapefruit importer. There are only a few large retailers that import directly.

- Experienced importers should be able to provide market information and guidance on business practices and trade related regulations, sales contacts, potential buyers, and market development expertise.
- The types of contracts available vary with different importers. Types can include joint investment partnership, exclusive agent, and non-binding brokering. The most common is maintaining a non-binding seller-buyer relationship during the initial stages of exporting and then upgrading after a period of business to a more binding option. The amount of time taken looking for the right importer could be lengthy, however, it is key that you establish a proper relationship. This will help shorten the time it takes to get your product in the Korean market.
- There are many rules and regulations that the United States exporter should follow closely during the initial stages of exporting. The Korean government

maintains strict regulations on food imports and requires certain certificates/documents before clearance is granted. Therefore, be sure and check with the Animal and Plant Health Inspection Service (APHIS) offices in your home state for further information. To find the APHIS contact in your state location go to : www.aphis.usda.gov

- Visiting a food show like the [Seoul Food and Hotel Show](#) is a good investment for most U.S. exporters. The United States Agricultural Trade office (ATO) in Seoul can provide the information about participating in trades and maintains a current list of importers. Contacting the ATO is highly recommended for new market businesses who seek for opportunities in the retail market.

2. MARKET SIZE, STRUCTURE, TRENDS

Fresh grapefruit is imported mostly for retail sale. Grapefruit juice is also consumed in Korea but imported separately.

Table1. Imports from World V.S. United States

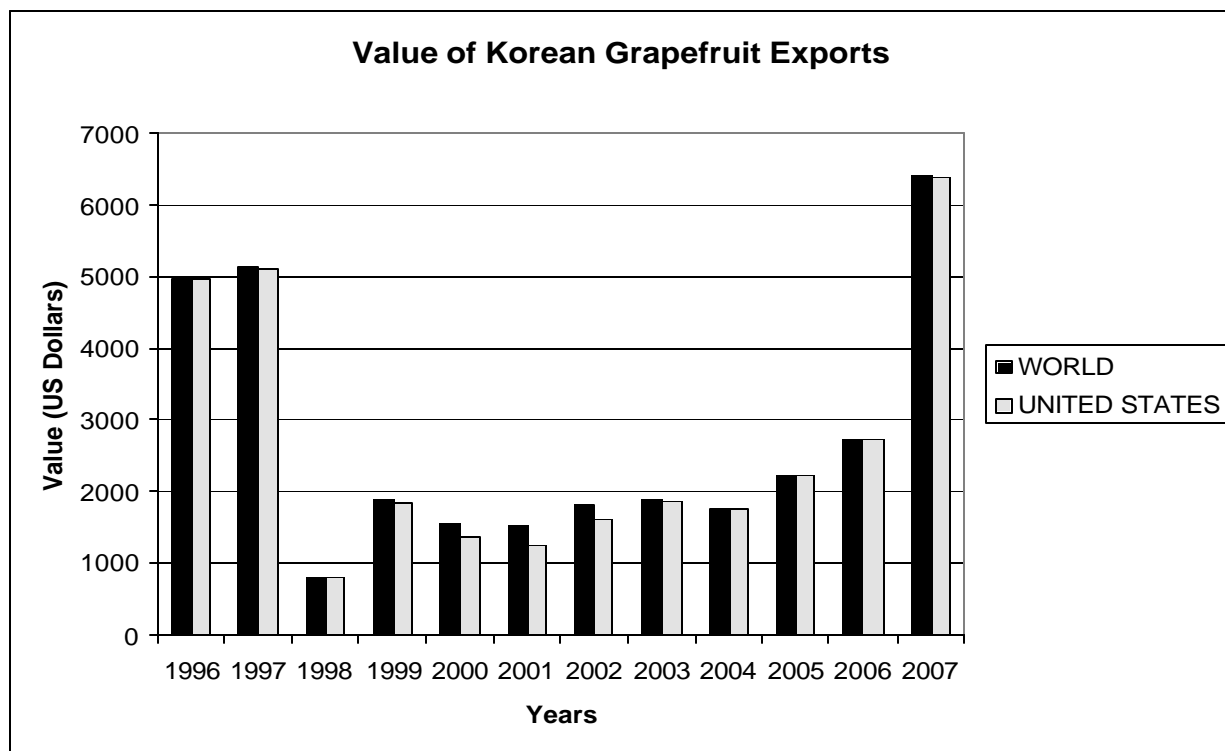


Source: www.gtis.com

Korea's grapefruit imports peaked at 11,171 metric tons in 1989 (Korean Trade Information Service). The financial crises in the late -80s resulted in drastic reduction of many imported products.

The graph below demonstrates the change in value of imports in recent years.

Table2. Exports to World V.S. United States



Source: www.gtis.com

Korean consumers prefer pink grapefruit (mostly harvested in Florida), because they perceive it as higher quality. Many grapefruit consumers think of the fruit as a health or diet food.

3. COMPANY PROFILES

The top four grapefruit importers range from large trading companies to large wholesale retailers. Contact ATO Seoul at ATOSeoul@fas.usda.gov for a list of current and prospective grapefruit importers.

SECTION III. COSTS AND PRICES

1. Tariffs

The current tariff on grapefruit is 30 percent. If the U.S. Congress and Korean National Assembly approve the Korea-U.S. Free Trade Agreement, the tariff would be phased out over a five year period.

2. COSTS IN SECURING RETAIL STORE SHELF SPACE

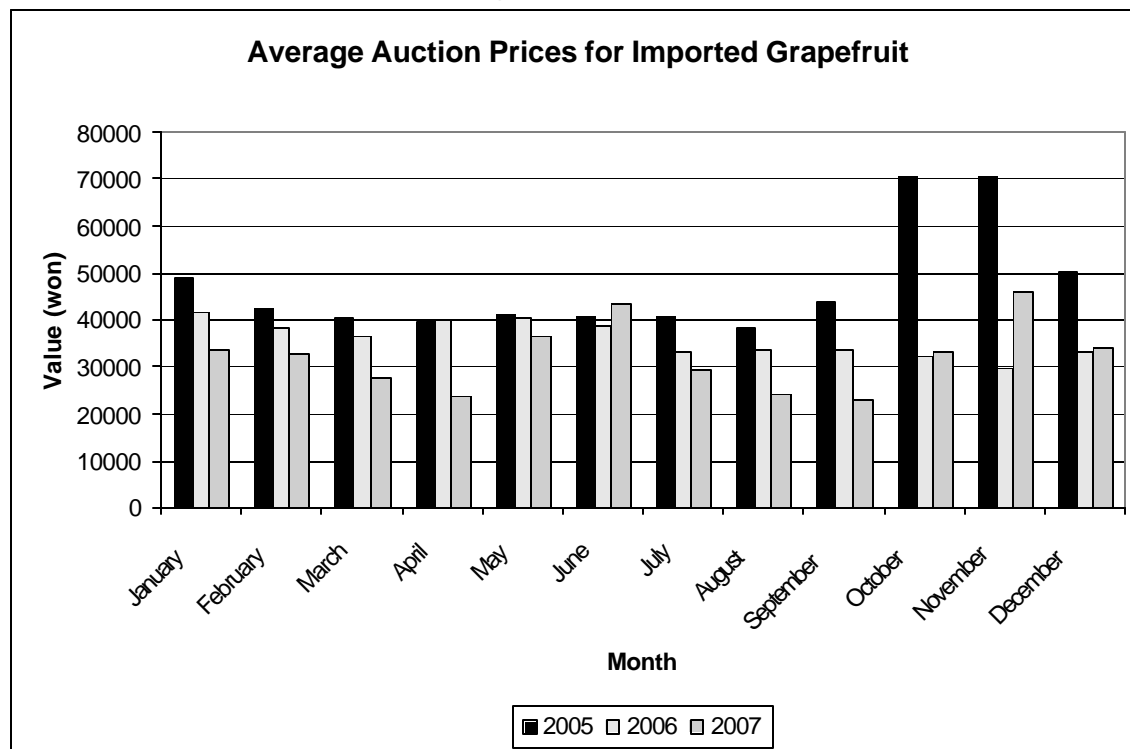
The fee that a retail store would charge for adopting a new product varies depending on the market potential of the product. Local retail stores are eager to add new products to their shelves as they strive to meet consumer's demand for new tastes, but still have some concern about the risk of carrying new products that have the potential to fail. Many retailers are asking for promotional support instead of initiating fees for new

products. These types of activities could include anything from in-store advertisement to sampling projects. Free sampling is the most common tactic used because it is the least expensive. These activities are highly encouraged because they promote customer awareness and usually some type of education about the new product.

3. PRICES AND MARKUPS

The average wholesale price has been \$18.50 per carton CIF Busan. The average markup varies each year depending on issues such as supply and other market factors. Retail prices range from 1,000 to 2,000 won per piece. (975 KRW= 1 USD, April 2007)

Table3. Unit: Korean Won per 18-kilogram box



Source: Seoul Agricultural & Marine Products Corporation
(975 KRW=1 USD, April 2007)

SECTION IV. MARKET ACCESS

1. Labeling Requirements

Grapefruit will be subject to Korea's country of origin labeling laws. Grapefruit packed in a container, bag or box must have a country of origin label on the container, bag or box with the appropriate Korean language label. All imported agricultural products are required to include the product name, producer name, manufacture date (packing date or packing year), net quantity of contents, and storage and handling instructions on the Korean language label.

2. Grading or Quality Standards

Since there is no domestic grapefruit production in Korea, there are no Korean grading or quality standards.

3. Import Procedures and Testing Requirements

The Korean Customs Service (KCS), the Korean Food and Drug Administration (KFDA), and the National Plant Quarantine Service (NPQS) are the agencies involved in the import clearance process for fresh grapefruit. KCS is responsible for ensuring that all necessary documentation is in place before the product is released from the bonded area. KCS and KFDA work within the same Electronic Data Interchange (EDI) system, which allows KFDA inspection results to be transmitted to KCS quickly, shortening the KCS clearance time.

4. MRL Standards

KFDA establishes and enforces Maximum Residue Limit (MRL) standards. CODEX values are the principal default levels when no KFDA MRLs have been established. This means that other tolerance levels, such as CODEX, etc., are not accepted when an MRL is established for a given pesticide in the Korean Food Code.

Table4. Maximum Residue Limits for Imported Grapefruit

PESTICIDE	PPM	PESTICIDE	PPM
Dichlorophenoxyacetic Acid	1.0	Glyphosate	0.2
Aldrin & Dieldrin	0.01	Heptachlor	0.2
Azinphos-methyl	0.5	Glufosinate-Ammonium	0.2
Bentazone	0.2	Linuron	1.0
BHC	0.2	Malathion	0.5
Cadusafos	0.05	Maleic hydrazide	25.0
Captan	2.0	Metalaxyl	0.05
Carbaryl (NAC)	0.5	Methomyl	0.2
Carbendazim	1.0	Methoxychlor	14.0
Chinomethionat	0.5	Metribuzin	0.5
Chlorfenvinphos	0.4	Mevinphos	0.1
Chlorothalonil	1.0	Monocrotophos	0.05
Chlorpropham	0.1	Myclobutanil	1.0
Chlorpyrifos	0.5	O-Phenylphenol	10.0
Cyhalothrin	0.5	Omethoate	0.01
Cypermethrin	0.05	Oxadixyl	0.1
DDT	0.2	Oxamyl	0.2
Deltamethrin	0.01	Parathion	0.3
Diazinon	0.5	Parathion-methyl	1.0
Dichlofluanid	15.0	Pendimethalin	0.2
Dichlorvos(DDVP)	0.3	Permethrin	0.1
Dicofol	1.0	Pirimiphos-methyl	0.5
Dimethoate	1.0	Prometryn	0.5
Endrin	0.01	Propineb	0.2

EPN	0.1	Pyrazophos	0.2
Ethalfuralin	0.05	Pyrethrins	1.0
Ethionfencarb	5.0	Sethoxydim	10.0
Etrimfos	0.2	Thiobencarb	0.2
Fenamiphos	0.2	Thiometon	0.05
Fenbutatin-oxide	2.0	Tralomethrin	0.5
Fenitrothion	0.2	Triazophos	0.5
Fenvalerate	0.05	Trichlorfon	0.05
Fluzaifop-butyl	2.0	Triflumizole	1.0
Flucythrinate	0.5	Trifluralin	1.0

Source: Korean Food and Drug Administration

Imported fresh grapefruit must be accompanied by a phytosanitary certificate (PPQ Form 557) issued by the USDA's Animal and Plant Health Inspection Service. The phytosanitary certificate must be issued prior to the departure of the shipment. It is recommended to contact the Korean National Plant Quarantine Service prior to exporting to determine if that are any other new or additional requirements. The phytosanitary certificate can be found at: http://www.aphis.usda.gov/import_export/plants/plant_exports/export_certificates_forms.shtml

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For further information contact:
Agricultural Trade Office, American Embassy
Unit #15550, APO AP 96205-5550
Tel. No.: 82-2-397-4188, Fax No.: 82-2-720-7921
E-mail: ATOSeoul@fas.usda.gov Internet: www.atoseoul.com

For information about sanitary and phytosanitary requirements, please contact:
USDA, Animal and Plant Health Inspection Service (APHIS)

Address: USDA, APHIS, PPQ
4700 River Road Unit 140
Riverdale, MD 20737
Fax: 301-734-7639
Telephone: 301-734-8262
E-Mail: PPQExportServices@aphis.usda.gov
Website: www.aphis.usda.gov